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ACTION: ARA (01)

INFO: PPC (01) OAS (01) EPSC (04) PDAS (01) DEPSC (01) PPA (01)
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ACTION ARA-00

INFO LOG-00 ACDA-00 ACDE-00 AID-00 CIAE-00 DODE-00 DOEE-00
SRPP-00 DS-00 UTEB-00 H-01 TEDE-00 INR-00 LAB-01
L-00 ADS-00 NSAE-00 NSCE-00 DMB-01 OPIC-01 PA-00
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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 0462

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FROM AMBASSADOR FOR ARA A/S DAVIDSON AND DAS ROMERO, AID/G/AA
SHELTON, AID/LAC/AA SCHNEIDER, ARA/EPSC, AND ARA/PPC

E.O. 12958: N/A

TAGS: EAID, PGOV, VE

SUBJECT: VENEZUELAN CONFERENCE ON CAMPAIGN FINANCING

REF: KEANE/MUSKOWITZ TELCON 4/21/98

1. SUMMARY: I NEED YOUR HELP ON AN ISSUE OF GREAT IMPORTANCE TO DEMOCRACY AND STABILITY IN VENEZUELA. WITH VENEZUELAN DEMOCRACY AT A CROSSROADS AND MARCO-INFILTRATION A GROWING THREAT, THE ISSUE OF TRANSPARENCY IN THE FUNDING OF POLITICAL CAMPAIGNS AND PARTIES LOOMS LARGE. I BELIEVE, AS DO MANY VENEZUELAN, THAT REASONABLE FINANCIAL CONTROLS AND PUBLIC DISCLOSURE ARE EFFECTIVE MEANS TO

AVOID THE "COLOMBIANIZATION" OF VENEZUELAN POLITICS. I HOPE THAT USAID WILL SUPPORT AN IFES PROPOSAL FOR A TWO-DAY CONFERENCE ON CAMPAIGN FINANCE IN CARACAS -- AN EXPENDITURE OF US\$47,000. THIS CONFERENCE, A JOINT EFFORT OF IFES, USIS, AND TWO VENEZUELAN GOVERNMENTAL AGENCIES, WILL HAVE A POSITIVE IMPACT ON THE ELECTORAL SYSTEM AND ON THE CREDIBILITY OF THOSE WHO MUST GOVERN FOLLOWING THE ELECTION. END SUMMARY.

2. THIS IS A WATERSHED YEAR FOR VENEZUELAN DEMOCRACY. EVERY ELECTIVE OFFICE -- MORE THAN 6,000 IN ALL -- IS UP FOR GRABS ON ELECTION DAY, DECEMBER 6. THE TRADITIONAL TWO-PARTY SYSTEM IS DISCREDITED AND CONTINUES TO SUFFER EROSION. WHILE POLITICAL PARTIES STILL HOLD SWAY AT THE LOCAL LEVEL IN MANY PARTS OF VENEZUELA, NONE OF THE FOUR LEADING PRESIDENTIAL CANDIDATES REPRESENTS A MAJOR PARTY.

3. MONEY'S CRUCIAL ROLE IN THE ELECTION WILL BECOME EVIDENT ONCE CAMPAIGNING REALLY GETS UNDERWAY IN JULY AND AUGUST. NATURALLY FUND-RAISING HAS ALREADY BEGUN, WITH DOUBTS AS TO THE IDENTITY OF THE PRINCIPAL CONTRIBUTORS AND ACCUSATIONS THAT DRUG MONEY HAS PENETRATED SOME POLITICAL CAMPAIGNS.

4. IN FACT, THERE IS NO EFFECTIVE SYSTEM IN PLACE TO REGULATE OR DISCLOSE CAMPAIGN CONTRIBUTIONS, AND THE THREAT OF DRUG MONEY CONTAMINATING THE POLITICAL SYSTEM IS REAL. SEVERAL CANDIDATES HAVE TOLD US THEY ARE CONCERNED ABOUT THE POSSIBILITY OF ILLEGAL FUNDS GETTING INTO THEIR CAMPAIGN COFFERS WITHOUT THEIR KNOWLEDGE. COMMENTATORS NOW USE THE FEARFUL TERM, "COLOMBIANIZATION," WHEN REFERRING TO THE ROLE OF MONEY IN VENEZUELAN POLITICS.

5. TO COUNTER THIS THREAT, MANY VENEZUELAN ARE NOW FIGHTING FOR

REASONABLE FINANCIAL CONTROLS AND PUBLIC DISCLOSURE. THERE IS A BILL BEFORE CONGRESS TO REGULATE THE FUNDING OF POLITICAL PARTIES

AND CAMPAIGNS. IT MAY NOT PASS IN TIME TO AFFECT THIS YEAR'S ELECTION, BUT IT IS AN INDICATION OF THE WILL OF A SIGNIFICANT PART OF THE POLITICAL CLASS TO TACKLE THIS THORNY ISSUE.

6. I BELIEVE THE UNITED STATES CAN AND SHOULD CONTRIBUTE TO EFFORTS TO ENSURE THAT THE FINANCING OF POLITICAL CAMPAIGNS IS TRANSPARENT AND THAT THOSE WHO ARE ELECTED IN DECEMBER ENJOY THE CREDIBILITY THEY NEED TO GOVERN. I AM THEREFORE STRONGLY SUPPORTING A PROPOSAL BY THE INTERNATIONAL FOUNDATION FOR ELECTION SYSTEMS (IFES), WORKING UNDER THE COUNCIL OF THE CONSORTIUM FOR ELECTIONS AND POLITICAL PROCESSES (ICEPP), TO ORGANIZE A TWO-DAY CONFERENCE ON CAMPAIGN FINANCE HERE IN CARACAS THE END OF MAY. IFES IS WORKING TOGETHER WITH TWO RESPECTED VENEZUELAN GOVERNMENTAL INSTITUTIONS, THE NATIONAL ELECTORAL COUNCIL AND THE PRESIDENTIAL COMMISSION FOR REFORM OF THE STATE. THE BUDGET FOR THE IFES PORTION OF THE PROGRAM IS US\$47,291. THE NATIONAL ELECTORAL COUNCIL WILL CONTRIBUTE ABOUT US\$30,000, AND THE U.S. INFORMATION SERVICE IS COMMITTING US\$10,000. COPPE WILL PROVIDE ADMINISTRATIVE AND LOGISTICAL SUPPORT. OUR CORE OBJECTIVE FOR THE CONFERENCE IS TO STIMULATE DEMAND FOR DISCLOSURE BY CANDIDATES OF THEIR SOURCES OF FINANCING. AS STRUCTURED, THE PROGRAM WILL INCLUDE PANELS OF INTERNATIONAL EXPERTS ON CAMPAIGN FINANCING, AS WELL AS VENEZUELAN POLITICAL PARTY REPRESENTATIVES AND CANDIDATES, SOME OF WHOM ARE ALREADY COMMITTED TO REVEALING THEIR SOURCES OF SUPPORT. OUR GOAL FOR THIS PROGRAM IS TO MAKE TRANSPARENCY AND PUBLIC DISCLOSURE A NORMAL PRACTICE FOR CANDIDATES BEGINNING WITH THE 1998 ELECTION.

7. THE CONFERENCE WILL ADDRESS A KEY ISSUE THAT TOUCHES ON

IMPORTANT U.S. INTERESTS IN VENEZUELA, INCLUDING THE CONSOLIDATION OF DEMOCRACY AND THE STRUGGLE AGAINST NARCOTRAFFICKING AND CORRUPTION. WE CERTAINLY DO NOT WANT TO WAKE UP THE DAY AFTER THE ELECTION TO FIND THE PRESIDENTIAL PALACE IN LOCK TO DRUG TRAFFICKERS. I HOPE THAT ARA AND USAID WILL GIVE THE IFES PROPOSAL FULL SUPPORT.

8. PER CONVERSATION WITH ARA/EPSC, WE WOULD ENVISION AN ALLOCATION OF US\$47,291 FROM ESF AND DELEGATING TO A USAID MISSION IN THE REGION FIDUCIARY RESPONSIBILITY IN VIEW OF VENEZUELA'S BEING A "NON-PRESENCE" COUNTRY FOR USAID. THIS IS DOABLE. WE CANNOT AFFORD NOT TO BE INVOLVED.

MAISTO

UNITED STATES DEPARTMENT OF STATE
REVIEW AUTHORITY: ADOLPH H EISNER
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